

Substitute for House Concurrent Resolution No. 15

A concurrent resolution to express support for the concept of preparing biennial state budgets and to call for changing the timing of target meetings and the setting of budget targets.

Whereas, One of the key issues facing a legislature is how to most effectively organize the budget process. A whole series of elements go into deciding what is the best approach a state should use in addressing budgetary issues. A number of elements, including constitutional, statutory, and legislative rules, as well as standard operating procedures, go into structuring how the budgetary process is organized and implemented. One of the key components is the period of time for which the budget is effective -- on an annual or a biennial cycle; and

Whereas, Individual states have utilized annual or biennial budgets at one time or another. The trend among state governments for the past two decades has been to abandon biennial budgeting for annual budgeting. Forty-four states practiced biennial budgeting in 1940, and about half as many do so currently. According to the National Conference of State Legislatures, there is little evidence that either annual or biennial state budgets hold clear advantages over the other. However, there is strong evidence that biennial budgeting is more conducive to program review and evaluation. In a state like Michigan, which has faced economic stress over the past half decade and has faced difficult decisions over raising revenues, it is incumbent upon the legislature to examine approaches like a biennial budget to get a better handle on reviewing and evaluating state programs; and

Whereas, Too much time is spent by the Michigan Legislature and the executive branch in dealing with annual budget battles not to consider a biennial budget approach. It is conducive to long-term planning as well as allowing more time for program review and evaluation and is less expensive and time-consuming than that of annual budgeting; and

Whereas, A two-year budgeting process would remove a great deal of the uncertainty now facing state supported entities. As it is now, schools and local units of government face significant challenges to their own budgets and planning when the state's budget is completed late; and

Whereas, With more time for oversight under a biennial budget structure, particularly in the second year of the two-year cycle, the Legislature would be more vigilant in making sure programs operate as intended. This added attention to how public dollars are spent is clearly in order; and

Whereas, Biennial budgeting has been proposed and utilized to a limited extent in Michigan in recent years. Beginning with fiscal year 1994, Governor Engler proposed adoption of two-year appropriations bills for all state government to provide certainty and a planning base for those who receive state aid. Although biennial appropriations bills were not passed by the Legislature for the 1994 and 1995 fiscal years, that experience may serve as a possible model and evidence of the Legislature's serious effort. In order to ensure that revenue and expenditures receive legislative review in the second year, the Governor proposed that virtually identical appropriations bills be enacted for the second fiscal year. Such an approach would have required legislators to take additional action in the second year to determine new spending priorities and to appropriate any growth or reduction in revenue while providing state aid recipients and others with some certainty about the base level of funding. Governor Engler also indicated that a two-year budget would give state policymakers almost 18 months to focus on ways to reduce automatic growth in budgetary areas. In addition, in years past, the Legislature enacted biennial School Aid appropriations bills;

Whereas, It is also important to reconfigure the timing of target meetings. The target process allows House leaders, Senate leaders, and administrative officials to negotiate matters pertaining to particular programs, budget issues, and policies. House and Senate leaders usually convene target meetings with the state budget director, who represents the Governor in these discussions, soon after the May consensus revenue estimating conference, and when the budget bills have passed both the House and the Senate. The goal of the target meetings is to reach an agreement that defines the amount of resources available to support the coming-year budget, apportion those resources among

the appropriations bills, decide whether to include standardized boilerplate in the appropriation bills, and resolve any disagreement. The scheduling of the target meetings should be moved up so that the meetings are held as soon as possible after the Governor has delivered his or her budget recommendations to the Legislature in either January or February; now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That we express support for the concept of preparing biennial state budgets and call for holding target meetings as soon as possible after the Governor has delivered his or her budget recommendations to the Legislature in either January or February; and be it further

Resolved, That we urge that a concurrent resolution including budget targets or a budget target agreement be passed by the Legislature before the appropriation bills are referred to committee in the Senate and the House; and be it further

Resolved, That copies of this resolution be transmitted to the Speaker of the House of Representatives, the Chair of the House Appropriations Committee, the Senate Majority Leader, the Chair of the Senate Appropriations Committee, the Governor, and the State Budget Director.